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Entrepreneurship Climate and Its Effect on Entrepreneurial Development in Kenya

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Abstract:

According to Nteere (2011), individuals who promote change and initiate development activities are important to economic growth in any country. These persons may be called entrepreneurs because they have the ability to identify needs within their environment, gather appropriate resources and implement action to satisfy these needs. According to ILO (1990) over 50% of all new businesses fail during their first three years of existence. In spite of these facts, self-employment continues to rank high as a career choice by a good number of people. The failure rate is a serious problem and it is compounded over by the fact that over 50% of money used to initiate these businesses is generated from private sources such as personal family savings and this creates psychological problems of people who have failed in business. Such a failure may have far reaching effects greater than their financial losses. These could have been avoided if a conducive environment was provided. In dealing with these many problems, the government of Kenya is engaged in various interventions to help create a conducive and an enabling environment to reduce the rates of failure. These researchers conducted the study in two towns of Kitale and Eldoret in the period June-August 2014, intending to identify 'The Climate for Entrepreneurship Development in Kenya'. Studying it to discuss its status and how it has affected entrepreneurship development either positively or negatively. Thereafter, they were to recommend a National strategy to enhance its influence on entrepreneurship development in Kenya. Some interviews were held, with policy makers and entrepreneurs and a lot of literature from secondary sources was reviewed which was then analyzed and conclusions drawn.

Keywords: Climate, national strategy, entrepreneurship development

1. Introduction

1.1. Background Information

Economic growth hinges upon entrepreneurship. A vibrant entrepreneurial climate provides new jobs, increases competitiveness, and produces novel goods and services. It is not surprising, therefore, to learn that policymakers attempt to increase entrepreneurial activity in numerous ways. They may reform the regulatory environment in order to reduce the number of permits and licences required to start a business or enterprise.

They may make more capital available to new firms through loans, subsidies or tax incentives. They may also increase the amount of resources devoted to education in general and business education in particular, in order to create a set of attitudes and skills in the populace that is conducive to entrepreneurship. Indeed, a dearth/scarcity of entrepreneurial and managerial skills is a major impediment that less-developed economies face.

According to Mohammed Bin Rashid (2011, Dubai Entrepreneurship), support for Entrepreneurship is important because it is Seed pipeline of future enterprises, it creates a risk taking culture, it is a basis for long-term economic development, and it serves as a tool for employment creation.

1.2. Entrepreneurship Development Process

Entrepreneurship Development is the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes. It aims at enlarging the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development.

Entrepreneurship Development focuses on the individual who wishes to start or expand a business. SME development, on the other hand, focuses on developing the enterprise, whether or not it employs or it is led by individuals who can be considered entrepreneurial. Furthermore, Entrepreneurship Development concentrates more on growth potential and innovation than SME development does. However, many of the lessons learned from experiences in both types of development are similar.

Entrepreneurship Development Process starts from identifying the potential and right candidates, linking suitable projects with each one, training and developing the managerial and entrepreneurial capabilities, counselling and motivating the entrepreneur and providing the required follow-up support to help the entrepreneurs in establishing venture. The task of developing entrepreneurs consists of the following activities:

- Identifying and carefully selecting those who could be trained as entrepreneurs
- Developing their entrepreneurial capabilities
- Ensuring that each potential entrepreneur has a viable industrial project
- Equipping the entrepreneurs with basic managerial understanding
- Helping them to secure necessary financial, infrastructural and other assistance so that an industrial venture materializes within the shortest possible time.

1.3. The Problem Statement

The focus of entrepreneurship development has been on programs, but not on the development of individual for a long time. With the launching of vision 2030, the Government of Kenya gave priority to equitable and sustainable development to improve the welfare of its citizens by the year 2030. (Kenya 2008) However the investment opportunities focus on programs and not individuals. According to Tandora (2003), entrepreneurship development means a multidimensional process involving reorganization and reorientation of entire economic and social system. That it improves the quality of all human lives by improving peoples living standards, which creates conditions conducive to growth of peoples self-esteem and increasing people's freedom to choose by enlarging the range of their choice variables.

1.3.1. Climate for Entrepreneurship Development

Climate for Entrepreneurship Development can entail any of the under listed areas:

1. Innovations in Capital Markets
2. Entrepreneurship Education
3. Entrepreneurship Institutions
4. Government Support
5. Entrepreneurship Information Bank
6. Research and Development Links
7. Stable Economic Policy
8. Entrepreneurship Motivation/Culture

The above climates are a pre-requisite to entrepreneurship development and they are not easy to be availed to entrepreneurship, hence the need for this study.

This paper, therefore, focuses on Government Support as a climate for entrepreneurship development.

Government support of entrepreneurship development has been both positive and negative for various observations. For instance, the creation of a positive climate in Kenya may relate to the environment that encourages development and growth of entrepreneurship. In Kenya we have identified the following as being target areas for Government support which ultimately were intended to be supportive of entrepreneurial development. As per the Vision 2030, Kenya is conducive as an investment hub in East and Southsahara because it ;

- An excellent connectivity to major world –wide hubs by air, water, and on land.
- A pool of the educated and skilled manpower.
- Tourism, wildlife, and safari destination
- Liberalized economy
- A well-developed stock exchange
- Membership to regional trading blocs.
- Relatively well developed infrastructure and technology.
- Favourable weather, among others.

Most of these support services are programs and they don't focus on an individual.

According to Lichtenstein and Lyons (1996-2001), the focus of entrepreneurship development should be shifted from programs to the development of individual entrepreneurial skills. That will enhance conditions for the development of entrepreneurship. According to Bwisa (2011) entrepreneurship thrives in an environment that encourages entrepreneurship; one where there are favourable attitudes to entrepreneurship which is a prerequisite to entrepreneurship development. An entrepreneurship policy should have the three pillars;

1.4. Entrepreneurship Policy

1.4.1. Motivation

Which promotes entrepreneurship culture, reduction of stigma of failure, recognition of role models? That this creates entrepreneurship, social values and desire for people to make entrepreneurship a career.

1.4.2. Skills

Introduction of entrepreneurship education at all levels.

1.4.3. Opportunity

Reduction of barriers to entry via regulatory system. Provision of starting financing, seed capital, incubators, mentorship and start up portals. The Kenya government has, therefore, established the following so as to create an entrepreneurial climate.

2. Findings and Discussions

2.1. Funding

The government of Kenya is focusing on creating a conducive climate for Small entrepreneurs by establishing funding first through the K-rep Bank and later through other Micro Finance Institutions like Equity bank.

- \Setting up of Youth development fund
- \Establishment of Women fund
- Allocating 30% of all government and semi-govt. Departments' procurement budget to businesses registered and managed by the youth
- Establishment of Incubation facilities
- Training –right from tertiary level to universities on issues relating to business planning, opportunities identification, marketing etc.
- Introduction of Entrepreneurship subject to the Kenyan Education at very early stages of the curriculum and moving with it all the way to higher levels
- Establishing specific and clear policies to establish, develop, and regulate entrepreneurship in the country.
- From the foregone discussion, small enterprises have also not been left out. There is a program that focuses entirely on them unlike on individual.

2.2. Detriment to Entrepreneurial Development

Some of the measures above have actually proved detrimental to entrepreneurial development. The main reason has been that the government has directed its support to the Small and Micro Enterprises (SMEs) instead of targeting the individual entrepreneurs which would have been a better way of enhancing entrepreneurial development. For example supporting the survival and growth path for entrepreneurs and hence entrepreneurial, would entail establishing an incubation centre as a support in each of the 47 counties. The main objective of such a move would be to mentor individual entrepreneurs, initiating business development models as learning points, providing incentives for growth for individual entrepreneurs and other related interventions, like the climate innovation centre.

2.3. Climate Innovation Centre-KIRDI

For instance, KIRDI-Kenya Climate Innovation Centre is a good example that tries to direct its support to individuals as indicated below.



Figure 1

The Kenya Climate Innovation Center (CIC) provides holistic, country-driven support to accelerate the development, deployment and transfer of locally relevant climate and clean energy technologies.

The CIC provides incubation, capacity building services and financing to Kenyan entrepreneurs and new ventures that are developing innovative solutions in energy, water and agribusiness to address climate change challenges.

This is one way of fostering entrepreneurship by strategically targeting the right person. It gives us a clear idea on how to formulate a national strategy to enhance its influence on entrepreneurship development in Kenya.

It is our belief that a national policy in support of entrepreneurs should be formulated along the KIRD model. This is because the KIRD Model attempts to target the individual as a way of enhancement of entrepreneurship.

3. Role of Entrepreneurship

3.1. Role of Entrepreneurship in Different Phases of Economic Development

The World Economic Forum (2011) classifies entrepreneurial activities according to three stages of economic development – factor-driven, efficiency-driven and innovation-driven.

Factor-driven economies are largely extractive, whereas efficiency-driven economies and innovation-driven economies add increasing amounts of value in their production of goods and services. The hallmark of efficiency-driven economies is scale, whereas that of innovation-driven economies is creativity.

There are also differences in the percentages of necessity-driven or improvement-driven entrepreneurial activities in different phases of economic development. A necessity-driven entrepreneur is one who starts a business due to a lack of job opportunities (GEM 2011). In contrast, improvement-driven opportunity entrepreneurs are those who start businesses because they identify an opportunity to increase income and independence (GEM 2011). The above illustrates that in factor-driven economies, there is a balance between necessity and improvement-driven entrepreneurs.

As economic development increases, there are more improvement-driven entrepreneurs and less necessity-driven entrepreneurs. In innovation-driven economies, nearly two-thirds of participants in the GEM survey indicated that improvement opportunity and not necessity was the key motivating factor for engaging in entrepreneurial activities.

3.2. Education and Training for Entrepreneurship Development

Generating a critical mass of entrepreneurs oriented towards high levels of growth depends on the quality of education and training provided as well as the presence of an environment fostering innovation. The three interconnected areas – education and training (especially quality vocational training and skills development), innovation (generating commercial value through new and creative ideas) and entrepreneurship – provide possibilities for mutually beneficial synergies through the flow of ideas and wealth.

Education and training are indispensable for skills development, while the ability to innovate and generate commercially valuable new products and processes can only take place in environments that encourage experimentation and value addition.

According to the Global Entrepreneurship Monitor Report (GEM, 2011), primary education is a basic requirement for enabling entrepreneurship in factor-driven economies and thus should be given priority. Beyond primary education, policymakers should devote attention to entrepreneurial instruction, i.e., cultivation of people's ability to recognize opportunities and to exploit them. Such an education would deliver the knowledge necessary to identify and capitalize on opportunities that offer economic advantages. It would equip the entrepreneur with an ability to apply knowledge to maximize gains, useful business skills, and leadership qualities, and above all, the self-confidence required to execute all these actions.

Mohammed Bin Rashid further suggests that governments should be involved in the process of expanding entrepreneur development by playing major but specific roles. Such roles are able to facilitate, enable, support and develop the capacity of entrepreneurs.

He says there should programs focused on entrepreneurs sectors – such as policy development and advocacy (remove barriers), training & capability development (sector productivity & competitiveness), incubation, access to finance and market access.

4. Recommendations

4.1. Recommended National Strategy

The role of the National Strategy is to lead and facilitate the expansion of the establishment's mandate towards a full-fledged Entrepreneurship Development Agency. It should take the responsibility of the implementation of the following crucial initiatives:

1. Any measure by Government should be targeting the individual entrepreneurs and not the SMEs
2. This should entail establishing an incubation centre as a support in each of the 47 counties; to mentor entrepreneurs
3. Public as well as private universities to take all students through entrepreneurship unit and monitor its effects
4. Specific and Clear Policies for individual entrepreneurship development to be established. The policy development and advocacy should be aimed at removing barriers.
5. Access to finance - Establish a fund from which individual entrepreneurs can access capital at subsidised rates of interest
6. Access to markets – this will enable the entrepreneurs find the best deals for themselves
7. Training & capability development (sector productivity & competitiveness),
8. There is a need for Focus on Intellectual Property (IP)-this will enable Creation, Attraction, Ownership, Protection, and Commercial exploitation intangible assets for entrepreneurs (copyrights, trademarks, industrial processes and secrets, Technology & Designs). This should include Intellectual Property Management Training for Entrepreneurs.

4.2. Equipping Entrepreneur

Generally, the entrepreneurs must be equipped with the following if they have to remain relevant in today's competitive environment, the study findings indicate.

- Knowledge & Skills through training and refresher courses
- Funding to the ventures at very favourable terms to enable the entrepreneur break even and be able to compete effectively
- Resources which may include human, material and even infrastructural can go a long way in supporting the development of entrepreneurship

- Markets for finished products and services are very critical. The presence of middlemen whose intention in most cases is to fleece the entrepreneurs must be checked.

4.3. County Incubator

That after the passage of the new constitution in 2010, there is need for each one of the 47 counties to establish a county incubator for nurturing new entrepreneurs and re-training the existing ones whenever a need arises.

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